

**PUBLIC DISCLOSURE**

JUNE 12, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTHMARK BANK

27119

89 TURNPIKE ROAD  
NORTH ANDOVER, MA 01845

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

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| <p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p> |
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **NORTHMARK BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **JUNE 12, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated " Satisfactory".**

Northmark Bank's overall CRA rating is based upon its performance under the five criteria contained herein as well as the bank's investments and services. The following is a summarization of the findings that were utilized in formulating the bank's overall CRA rating.

**Loan to Deposit Analysis** – The bank has achieved a reasonable average net loan to total deposit ratio during the eight quarter period reviewed

**Comparison of Credit Extended Inside and Outside of the Assessment Area (s)** – For the period reviewed, the bank has made the majority of its HMDA- reportable and small business loans inside its assessment area.

**Distribution of Credit among Different Income Levels** – The bank has achieved an adequate distribution of HMDA-reportable lending to individuals of low and moderate-income and small business lending in smaller dollar amounts.

**Geographic Distribution of Loans** – Northmark Bank's penetration of HMDA reportable and small business lending within the low and moderate-income census tracts in the bank's assessment area is satisfactory .

**Review of Complaints/Fair Lending Policies and Practices** - Fair lending policies and practices are considered reasonable. No complaints have been received since the prior examination.

In assessing whether an institution's CRA performance is "High Satisfactory" or "Outstanding" under the small institutions performance standards, the Division considers the

degree to which an institution exceeds each performance standard for a "Satisfactory" rating, and the institution's performance in providing qualified investments and services. At management's request, Northmark Bank's investments and services were reviewed and found to be reasonable, particularly given the asset size of the bank and the limited opportunities for qualified investments or community development services within the bank's assessment area.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Northmark Bank is a privately held, stock-owned commercial institution whose main office is located at 89 Turnpike Street in North Andover, Massachusetts. In addition the bank maintains a full service branch on Mount Vernon Street in Winchester, and a drive-up ATM on Merrimack Street in Methuen.

As of March 31, 2002, the bank had \$247,217,000 in total assets. Of these total assets, \$143,261,000 or 57.9 percent were in the form of loans. The following table depicts Northmark Bank's loan portfolio composition based on its March 2002 FDIC Call Report.

| <b>Northmark Bank's Loan Portfolio as of March 31, 2002</b> |                         |
|---|-------------------------|
| <b>Type of Loans</b>  | <b>% of Total Loans</b> |
| Construction & Land Development                             | 5.3                     |
| Residential Real Estate                                     |                         |
| a. 1-4 Family Mortgages                                     | 51.7                    |
| b. Home Equity Lines (includes second mortgages)            | 7.6                     |
| Multifamily   | 0.3                     |
| Commercial Loans  |                         |
| a. Commercial Real Estate                                   | 21.9                    |
| b. Commercial & Industrial Loans                            | 11.4                    |
| c. Agricultural Loans                                       | 0.2                     |
| Consumer Loans  |                         |
| a. Credit Cards & Related Plans                             | 1.4                     |

|                                     |              |
|-------------------------------------|--------------|
| b. Loans to Individuals/Other Loans | 0.2          |
| <b>Total Loans</b>                  | <b>100.0</b> |

FDIC Call Report as of 3/31/02

Residential lending represents the majority of the bank's portfolio at 59.6 percent. The second largest segment of the loan portfolio is commercial lending at 33.3 percent.

Although primarily a commercial bank, Northmark Bank's primary focus is on developing customer relationships. As a result, the bank offers a variety of commercial, residential, and consumer lending products. The bank is also a Fannie Mae and SBA lender.

There appears to be no legal or regulatory impediment that would affect the bank in meeting the needs of its community. The FDIC last conducted a CRA performance evaluation on May 21, 2001. That evaluation resulted in a "Satisfactory" rating. The Division of Banks conducted the previous Community Reinvestment Act (CRA) evaluation as of May 4, 1998. That examination resulted in a "Satisfactory" rating.

### **Description of Assessment Area**

The CRA regulation requires a financial institution to identify an assessment area in which it intends to focus its lending efforts. Northmark Bank has identified the cities of Lawrence and Haverhill as well as the towns of Methuen, North Andover and Andover in Essex County; and the City of Woburn as well as the towns of North Reading, and Winchester in Middlesex County as its assessment area. The bank has also included the town of Salem, New Hampshire within its assessment area. All the communities in Essex County, as well as the New Hampshire town, fall within the Lawrence MA Metropolitan Statistical Area (MSA). The towns within Middlesex County fall within the Boston MSA. The 2001 and 2002 HUD estimated Median Family Income for the Lawrence MSA was \$64,100 and \$67,400, respectively. The 2001 and 2002 HUD estimated Median Family Income for the Boston MSA was \$70,000 and \$74,200, respectively.

Northmark Bank's assessment area contains sixty-eight census tracts. Of those tracts, ten are low income, twelve are moderate-income, thirty-two are middle-income, twelve are upper-income, and two have no income designation. The following table reflects selected housing characteristics, based upon 1990 census data, for each of the census tract income levels in Northmark Bank's assessment area.

| Selected Housing Characteristics by Income Category of the Geography |               |              |               |                |              |              |                        |
|--|---------------|--------------|---------------|----------------|--------------|--------------|------------------------|
| Geographic Income Category   | Percentage    |              |               |                |              |              | Median Home Value (\$) |
|  | Census Tracts | Households   | Housing Units | Owner-Occupied | Rental Units | Vacant Units |                        |
| Low  | 14.7          | 8.4          | 9.0           | 2.0            | 18.1         | 18.0         | 89,030                 |
| Moderate   | 17.7          | 17.2         | 17.9          | 10.2           | 28.2         | 27.1         | 125,697                |
| Middle   | 47.0          | 57.2         | 56.3          | 63.3           | 47.4         | 44.9         | 158,060                |
| Upper  | 17.7          | 17.2         | 16.8          | 24.5           | 6.3          | 10.0         | 276,485                |
| NA   | 2.9           | 0.0          | 0.0           | 0.0            | 0.0          | 0.0          | 0                      |
| <b>Total or Median</b>   | <b>100.0</b>  | <b>100.0</b> | <b>100.0</b>  | <b>100.0</b>   | <b>100.0</b> | <b>100.0</b> | <b>166,007</b>         |

Source: U.S. Census

The majority of the low and moderate-income census tracts within the assessment area are contained within the major cities, which comprise the assessment area including the cities of Lawrence, Haverhill and the Town of Methuen. The following table provides further detail on the low and moderate-income census tracts.

| Low and Moderate-Income Census Tract Demographics by Community |       |                     |                      |             |                           |                              |
|--|-------|---------------------|----------------------|-------------|---------------------------|------------------------------|
| Census Tract   | Count | Owner Occupancy (%) | Rental Occupancy (%) | Vacancy (%) | Low Income Households (%) | Households Below Poverty (%) |
| <b>City Of Lawrence</b>  |       |                     |                      |             |                           |                              |
| <b>Low</b>   | 9     | 12.1                | 75.6                 | 12.3        | 66.3                      | 39.9                         |
| <b>Moderate</b>  | 8     | 32.5                | 58.1                 | 9.4         | 38.3                      | 20.8                         |
| <b>City Of Haverhill</b>                                       |       |                     |                      |             |                           |                              |
| <b>Low</b>   | 1     | 15.6                | 67.5                 | 16.9        | 56.4                      | 25.0                         |
| <b>Moderate</b>  | 3     | 31.2                | 56.6                 | 12.2        | 39.2                      | 14.2                         |
| <b>Town Of Methuen</b>   |       |                     |                      |             |                           |                              |
| <b>Moderate</b>  | 1     | 32.5                | 59.1                 | 8.4         | 50.3                      | 26.5                         |

Source: 1990 U.S. Census Data.

The majority of housing in the low and moderate-income census tracts is multi-family, investor owned housing. Consequently, the availability of properties for housing purchase is assumed to be low in these census tracts.

## Description of Aggregate Data Utilized/Lending Activity

Aggregate data, for HMDA-reportable lending performance purposes only, constitutes 393 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the bank's assessment area (source: PCI Services, Inc., CRA Wiz). The total number of originations/purchases received by these lenders in calendar year 2000 was 13,386. The top five lenders within Northmark Bank's assessment area in 2000 were: Fleet National Bank, 994 loans/7.4 percent share; Sovereign Bank, 916 loans/6.8 percent share; Countrywide Home Loans, 482 loans/3.6 percent share; Ohio Savings Bank, 436 loans/3.3 percent share; and Andover Bank, 358 loans/2.7 percent share. Northmark Bank ranked 52<sup>nd</sup> with 54 loans and a 0.4 percent share.

In addition, the 2000 aggregate data was adjusted to reflect local and FDIC insured lenders, thus filtering out the large and small mortgage companies, national banks, and credit unions within the bank's assessment area. This adjustment was performed to more accurately reflect Northmark Bank's competition within its assessment area. The top five institutions in the 2000 adjusted aggregate were Andover Bank, 358 loans/15.7 percent share; Winchester Cooperative Bank, 144 loans/6.3 percent share; Greenpoint Mortgage Funding, 114 loans/5.0 percent share; Ipswich Savings Bank, 101 loans/4.4 percent share; Stoneham Cooperative Bank, 98 loans/4.3 percent share. Northmark Bank ranked 13<sup>th</sup>, tied with Medford Savings Bank, with 54 loans or a 2.4 percent market share.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

Based upon the following, Northmark Bank's average net loan to deposit ratio appears to be reasonable and, as such meets the standards for satisfactory performance.

An analysis of Northmark Bank's net loan to total deposit ratios was performed. The calculation incorporated eight quarters of the bank's net loans to total deposit figures as reflected in the bank's quarterly FDIC Call Reports. The quarters reviewed included the periods from June 2000 through March 2002. The bank's average net loan to deposit ratio was determined to be 77.5 percent. This ratio has fluctuated from a low of 71.1 percent in March 2002, to a high of 84.9 percent in September 2000.

The following illustrates Northmark Bank's net loan to deposit trends.

| <b>Northmark Bank's Loan to Deposit Ratios*</b> |                          |                               |                  |
|---|--------------------------|-------------------------------|------------------|
| <b>Dates</b>                                    | <b>Net Loans \$(000)</b> | <b>Total Deposits \$(000)</b> | <b>Ratio (%)</b> |
| June 2000                                       | 141,940                  | 176,782                       | <b>80.3</b>      |
| September 2000                                  | 145,852                  | 171,708                       | <b>84.9</b>      |
| December 2000                                   | 144,595                  | 185,892                       | <b>77.8</b>      |

|                |         |         |             |
|----------------|---------|---------|-------------|
| March 2001     | 144,901 | 184,188 | <b>78.7</b> |
| June 2001      | 146,754 | 195,169 | <b>75.2</b> |
| September 2001 | 148,983 | 196,318 | <b>75.9</b> |
| December 2001  | 148,639 | 196,394 | <b>75.7</b> |
| March 2002     | 143,261 | 201,642 | <b>71.1</b> |

\* Source: FDIC Quarterly Call Reports.

Over the period described in the table, Northmark Bank's net loan portfolio increased by a nominal 0.9 percent while deposits grew by 14.1 percent. From March 31, 2001 through March 31, 2002, the bank's loan portfolio decreased by 1.1 percent, while deposits grew by 9.5 percent. It should be noted that the bank sold \$12,796,360 in mortgage loans to Fannie Mae in 2001. This represented approximately 8.6 percent of the loan portfolio in 2001. In 2002, the bank has sold \$4,462,100 or 3.1 percent of the loan portfolio to Fannie Mae.

A comparison of Northmark Bank's loan to deposit ratio to that of area financial institutions was also performed. As of March 31, 2002, Northmark Bank had total assets of \$247,217,000 and a net loan to deposit ratio of 71.1 percent. The net loan to deposit ratios of area institutions is presented in the following table. Those institutions chosen for this analysis have a main office or branch location in Northmark Bank's assessment area and have assets of between \$200 million and \$650 million. The data presented is as of March 31, 2002.

| <b>COMPARATIVE NET LOAN TO DEPOSIT RATIOS*</b> |                             |                                       |
|--|-----------------------------|---------------------------------------|
| <b>Institution</b>                             | <b>Total Assets \$(000)</b> | <b>Net Loan to Deposit Ratios (%)</b> |
| Enterprise Bank and Trust                      | 640,089                     | 69.8                                  |
| Northern Bank and Trust                        | 279,951                     | 83.5                                  |
| <b>Northmark Bank</b>                          | <b>247,217</b>              | <b>71.1</b>                           |
| Lawrence Savings Bank                          | 436,987                     | 82.8                                  |
| Winchester Cooperative Bank                    | 294,547                     | 66.4                                  |
| Winchester Savings Bank                        | 378,884                     | 77.4                                  |

\*As of March 31, 2002.

Northmark Bank's net loan to deposit ratio was also compared to peer group ratios as reflected in the March 31, 2002 Uniform Bank Performance Report (UBPR). The UBPR defines Northmark Bank's peer group as all FDIC insured savings banks having assets of \$300 million or less. As reported in the UBPR, the bank's net loan to deposit ratio was 71.1 percent as compared to the peer group ratio of 77.9 percent.

Based on the above analysis, Northmark Bank has achieved a reasonable loan to deposit level given its capacity to lend and the credit needs of its assessment area.

## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

### HMDA Reportable Lending

Based upon the following data, Northmark Bank's percentage of lending within its assessment area is considered to be adequate. Consequently, this performance was found to meet the standards for satisfactory performance.

An analysis of Home Mortgage Disclosure Act (HMDA)- reportable lending extended both inside and outside Northmark Bank's assessment area for the period under review was performed. For the purposes herein, the period under review for HMDA reportable lending constitutes calendar year 2001 and the period through May 7, 2002. A HMDA reportable loan is defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans.

The following table illustrates Northmark Bank's level of HMDA-reportable lending both inside and outside its assessment area.

| Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area |                 |             |                     |             |                 |             |                     |             |                 |            |                     |            |
|---|-----------------|-------------|---------------------|-------------|-----------------|-------------|---------------------|-------------|-----------------|------------|---------------------|------------|
| Year  | Inside          |             |                     |             | Outside         |             |                     |             | Total           |            |                     |            |
|   | Number of Loans |             | Dollar Volume (000) |             | Number of Loans |             | Dollar Volume (000) |             | Number of Loans |            | Dollar Volume (000) |            |
|   | #               | %           | \$                  | %           | #               | %           | \$                  | %           | #               | %          | \$                  | %          |
| <b>2001</b>   | 88              | <b>57.5</b> | 19,017              | <b>48.6</b> | 65              | 42.5        | 20,088              | 51.4        | 153             | 100        | 39,105              | 100        |
| <b>2002*</b>  | 28              | <b>53.8</b> | 6,274               | <b>56.5</b> | 24              | 46.2        | 4,840               | 43.5        | 52              | 100        | 11,114              | 100        |
| <b>Total</b>  | <b>116</b>      | <b>56.6</b> | <b>25,291</b>       | <b>50.4</b> | <b>89</b>       | <b>43.4</b> | <b>24,928</b>       | <b>49.6</b> | <b>205</b>      | <b>100</b> | <b>50,219</b>       | <b>100</b> |

Source: HMDA LAR, CRA Wiz

\* Through May 7, 2002.

Northmark Bank granted the majority of the number of HMDA-reportable loans within its assessment area, making 56.6 percent of all loans within these areas. On a consolidated basis, the bank made a slight majority or 50.4 percent of the dollar amount of loans within its assessment area. This is primarily the result of performance in 2001. when the bank lent only 48.6 percent of the dollar amount of loans within the assessment area. Performance year to date 2002 appears to have improved.

In 2001, the bank granted the majority of its HMDA-reportable loans in Woburn with 18 loans for \$3,618,000, followed by North Andover and Andover, both tied at 15 loans for \$4,082,000 and \$3,984,000 respectively.

Given the size and the resources available to Northmark Bank, the level of HMDA reportable-lending within its assessment area is considered reasonable.



## Small Business Lending

An analysis of small business lending extended both inside and outside Northmark Bank's assessment area for the period under review was performed. For the purposes herein, the period under review for small business lending constitutes calendar year 2001 and an interim period through June 18, 2002. A small business loan is defined as a loan with an original amount of \$1 million or less that are "secured by nonfarm, nonresidential properties or commercial and industrial loans to US addressees." This definition is consistent with those found in the FDIC Call Report instructions.

Refer to the following.

| Distribution of Small Business Lending Inside and Outside of the Assessment Area |                 |             |                     |             |                 |             |                     |             |                 |            |                     |            |
|--|-----------------|-------------|---------------------|-------------|-----------------|-------------|---------------------|-------------|-----------------|------------|---------------------|------------|
| Year   | Inside          |             |                     |             | Outside         |             |                     |             | Total           |            |                     |            |
|  | Number of Loans |             | Dollar Volume (000) |             | Number of Loans |             | Dollar Volume (000) |             | Number of Loans |            | Dollar Volume (000) |            |
|  | #               | %           | \$                  | %           | #               | %           | \$                  | %           | #               | %          | \$                  | %          |
| <b>2001</b>  | 130             | <b>76.9</b> | 12,576              | <b>70.4</b> | 39              | 23.1        | 5,283               | 29.6        | 169             | 100        | 17,859              | 100        |
| <b>2002*</b>   | 34              | <b>66.7</b> | 3,196               | <b>82.3</b> | 17              | 33.3        | 689                 | 17.7        | 51              | 100        | 3,885               | 100        |
| <b>Total</b>   | <b>164</b>      | <b>74.5</b> | <b>15,772</b>       | <b>72.5</b> | <b>56</b>       | <b>25.5</b> | <b>5,972</b>        | <b>27.5</b> | <b>220</b>      | <b>100</b> | <b>21,744</b>       | <b>100</b> |

Source: Bank generated reports.

\*Through June 18, 2002.

As indicated above, Northmark Bank made the majority of its small business loans or 74.5 percent of the number of loans within its assessment area. The bank made the majority of small business loan dollars or 72.5 percent within the assessment area as well.

In 2001, the bank granted the majority of its small business loans in Woburn with 47 loans for \$3,873,000; followed by North Andover with 26 loans for \$4,203,000, and Andover with 15 loans for \$1,146,000.

Given the size and the resources available to Northmark Bank, the level of its small business lending within its assessment area is considered reasonable.

### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

#### HMDA Reportable Lending

Based upon the subsequent analysis, Northmark Bank's distribution of its HMDA reportable-lending within its assessment area to borrowers of different incomes is considered to be adequate. The bank's level of small business lending by loan size is also considered adequate. Therefore, the bank is found to meet the standards for satisfactory performance in this performance criterion.

An analysis of HMDA-reportable lending extended within Northmark Bank's assessment area among various income levels for the period under review was performed. Originations were categorized by the ratio of the applicant's reported income to the 2001 estimated median family income of the appropriate MSA.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

Refer to the following.

| Distribution of HMDA Loans by Borrower Income |                    |                                      |        |      |      |       |      |       |      |
|---|--------------------|--------------------------------------|--------|------|------|-------|------|-------|------|
| Median Family Income Level                    | % Total Households | Aggregate Lending Data (% of #) 2000 |        | 2001 |      | 2002* |      | Total |      |
|   |                    | ALL                                  | **Adj. | #    | %    | #     | %    | #     | %    |
| Low   | 25.7               | 6.0                                  | 7.3    | 2    | 2.3  | 0     | 0.0  | 2     | 1.7  |
| Moderate                                      | 15.2               | 16.7                                 | 17.4   | 9    | 10.2 | 4     | 14.3 | 13    | 11.2 |
| Middle  | 19.3               | 22.2                                 | 23.0   | 17   | 19.3 | 0     | 0.0  | 17    | 14.7 |

|              |            |            |            |           |            |           |            |            |            |
|--------------|------------|------------|------------|-----------|------------|-----------|------------|------------|------------|
| Upper        | 39.8       | 34.1       | 43.9       | 58        | 65.9       | 23        | 82.1       | 81         | 69.8       |
| NA           | 0.0        | 21.0       | 8.4        | 2         | 2.3        | 1         | 3.6        | 3          | 2.6        |
| <b>Total</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>88</b> | <b>100</b> | <b>28</b> | <b>100</b> | <b>116</b> | <b>100</b> |

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

\*Through May 7, 2002.

\*\* FDIC Institutions only

Included in the low-income category are 11,074 households within the bank's assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a residential loan. If that category were adjusted to reflect this fact, the number of low-income family households within the bank's assessment area would be decreased dramatically from 28,362 to 17,288 or 17.4 percent.

As indicated above, Northmark Bank made only 1.7 percent of its loans to low-income borrowers, which is well below the proportion of households, either adjusted or non-adjusted within that income category. The bank made 11.2 percent of HMDA-reportable loans to moderate-income borrowers. This is also below the proportion of households falling within that category, which represent 15.2 percent of all households. The majority of loans, or 69.8 percent, was made to upper-income borrowers and again, this performance is disproportionate, since upper-income households represent 39.8 percent of all households.

By dollar volume in 2001, Northmark Bank originated 0.5 percent of its HMDA reportable loans to low-income borrowers, 5.4 percent to moderate-income borrowers, 16.0 percent to middle-income borrowers, 76.7 percent to upper-income borrowers, and 1.4 percent to borrowers with no income designation. By dollar volume for the interim 2002, Northmark Bank originated 5.5 percent to moderate-income borrowers, 93.5 percent to upper-income borrowers, and 1.0 percent to borrowers with no income designation.

For comparative purposes only the bank's performance was further compared to the performance of aggregate lenders in year 2000. The aggregate made 6.0 percent and 16.7 percent of loans to low and moderate-income borrowers, or 7.3 percent and 17.4 percent on an adjusted basis. Neither in Year 2001 nor year to date 2002 did Northmark Bank approach the 2000 aggregate, although there appeared to be an improving trend in 2002, when the bank made 14.3 percent of its loans within the moderate-income category.

Northmark Bank's level of HMDA reportable lending to borrowers of different incomes is considered adequate.

### **Small Business Lending by Loan Amount**

An analysis of Northmark Bank's small business lending by loan amount was performed. The following table presents the results of this analysis.

| <b>Distribution of Small Business Loans by Loan Size</b> |             |            |              |            |              |            |
|--|-------------|------------|--------------|------------|--------------|------------|
| <b>Loan Size<br/>(000s)</b>                              | <b>2001</b> |            | <b>2002*</b> |            | <b>Total</b> |            |
|  | <b>#</b>    | <b>%</b>   | <b>#</b>     | <b>%</b>   | <b>#</b>     | <b>%</b>   |
| < \$100  | 91          | 70.0       | 24           | 70.6       | 115          | 70.1       |
| \$100 - \$250  | 27          | 20.8       | 6            | 17.6       | 33           | 20.1       |
| > \$250 - \$1,000  | 12          | 9.2        | 4            | 11.8       | 16           | 9.8        |
| <b>Total</b>   | <b>130</b>  | <b>100</b> | <b>34</b>    | <b>100</b> | <b>164</b>   | <b>100</b> |

Source: Bank generated reports.

\*Through June 18, 2002.

As indicated, the majority of the bank's small business lending was in the form of smaller loans with 70.1 percent of all loans made in amounts under \$100,000. Analysis by dollar

volume is inversely proportional to these results. As expected, most of actual dollars (49.6 percent) were extended in the over \$250,000 category.

### **Analysis of Small Business Lending by Revenue**

Although an expanded analysis was performed at this examination, Northmark Bank (by asset size) is considered to be a small bank under the CRA regulation. As such, the bank is not required to collect and maintain data on its small business lending. Though the bank provided internally generated reports on the number and dollar volume of its small business lending, data on the revenues of the businesses was not collected. Therefore, an analysis of the bank's small business lending by revenue was not performed.

## **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

### **HMDA Reportable Lending**

Northmark Bank's distribution of loans within geographies of different income levels is considered to be satisfactory.

An analysis of HMDA-reportable lending extended in the various census tracts contained within Northmark Bank's assessment area was conducted. The following table presents the bank's performance as well as the 2000 aggregate data of HMDA reportable lending by percentage. In addition, the table also reflects demographic data on the percentage of owner-occupied housing units (per 1990 census data) in each of the census tract income categories.

To reiterate, Northmark Bank's assessment area contains sixty-eight census tracts. Of those tracts, 14.7 percent are low-income, 17.7 percent are moderate-income, 47.0

percent are middle-income, 17.7 percent are upper-income, and 2.9 percent have no income designation.

| Distribution of HMDA Loans by Income Category of the Census Tract |                                      |                                      |            |           |            |           |            |            |            |
|---|--------------------------------------|--------------------------------------|------------|-----------|------------|-----------|------------|------------|------------|
| Census Tract Income Level   | % Total Owner-Occupied Housing Units | Aggregate Lending Data (% of #) 2000 |            | 2001      |            | 2002*     |            | Total      |            |
|   |                                      | ALL                                  | **Adj.     | #         | %          | #         | %          | #          | %          |
| Low   | 2.0                                  | 4.9                                  | 3.5        | 1         | 1.1        | 0         | 0.0        | 1          | 0.9        |
| Moderate  | 10.2                                 | 15.0                                 | 11.0       | 2         | 2.3        | 0         | 0.0        | 2          | 1.7        |
| Middle  | 63.3                                 | 60.6                                 | 58.9       | 49        | 55.7       | 19        | 67.9       | 68         | 58.6       |
| Upper   | 24.5                                 | 19.5                                 | 26.6       | 36        | 40.9       | 9         | 32.1       | 45         | 38.8       |
| <b>Total</b>  | <b>100</b>                           | <b>100</b>                           | <b>100</b> | <b>88</b> | <b>100</b> | <b>28</b> | <b>100</b> | <b>116</b> | <b>100</b> |

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

\*Through May 7, 2002.

\*\* FDIC Institutions only

Northmark Bank made the majority of its loans or 58.6 percent of residential loans in middle-income census tracts, consistent with the distribution of housing units in those tracts, which contain 63.3 percent of all owner-occupied housing units in the assessment area. Only one loan was made in the low-income census tracts and only 2 loans were made in moderate-income census tracts during the period examined, representing 2.6 percent (combined) of all loans.

By dollar volume in 2001, Northmark Bank originated 0.7 percent of its HMDA reportable loans in the low-income census tracts, 0.8 percent to the moderate-income tracts, 46.2 percent to the middle-income tracts, and 52.3 percent to the upper-income census tracts within its assessment area. By dollar volume for the interim 2002, Northmark Bank originated 44.8 percent of loans in the middle-income census tracts and 55.2 percent to the upper-income census tracts.

Included for informational purposes only, a comparison was made to Year 2000 aggregate lending performance. The aggregate lenders made 4.9 percent and 15.0 percent of loans in the low and moderate-income census tracts, respectively. The adjusted aggregate percentages were 3.5 percent and 11.0 percent in the low and moderate-income tracts, respectively. The bank performed below the 2000 aggregate and adjusted aggregate lending in Year 2001, making 1.1 percent and 2.3 percent of loans in low and moderate-income census tracts, respectively. The bank made no loans in either type of census tracts in 2002

### Analysis of Small Business Lending by Census Tract

Northmark Bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area.

The following table depicts this distribution.

| <b>Small Business Lending by Census Tract</b> |             |              |              |              |              |              |
|---|-------------|--------------|--------------|--------------|--------------|--------------|
| <b>Census Tract<br/>Income Level</b>          | <b>2001</b> |              | <b>2002*</b> |              | <b>Total</b> |              |
|   | <b>#</b>    | <b>%</b>     | <b>#</b>     | <b>%</b>     | <b>#</b>     | <b>%</b>     |
| Low   | 2           | 1.5          | 0            | 0.0          | 2            | 1.2          |
| Moderate                                      | 6           | 4.6          | 4            | 11.8         | 10           | 6.1          |
| Middle/Upper                                  | 122         | 93.9         | 30           | 88.2         | 152          | 92.7         |
| <b>Total</b>                                  | <b>130</b>  | <b>100.0</b> | <b>34</b>    | <b>100.0</b> | <b>164</b>   | <b>100.0</b> |

Source: Bank Generated Reports

\*Through June 18, 2002.

As the table shows, the majority of loans or 92.7 percent were made in middle/upper income census tracts. Only 1.2 percent and 6.1 percent were made in low and moderate-income census tracts, respectively.

By dollar volume, Northmark Bank originated 0.4 percent of its small business lending in low-income tracts and 3.8 percent in moderate-income tracts in 2001. For the interim 2002, the percentage improved in the moderate-income census tracts with 4.8 percent of the dollar volume however, there were no small business loans granted in the low-income tracts.

As previously discussed, the low and moderate-income census tracts in the bank's assessment area are located in the cities of Lawrence and Haverhill and the Town of Methuen. Northmark Bank has no physical presence in these communities. That coupled with the strong competition from other financial institutions in those communities makes developing small business relationships even more difficult.

Although Northmark Bank's HMDA- reportable and small business lending penetration to the low and moderate-income census tracts within its assessment area is considered low, given the demographic composition of those tracts and the lack of a physical presence in those tracts, the bank's performance is considered adequate.

## **Community Development Lending**

In April 30, 2001, Northmark Bank became a member of the Massachusetts Business Development Corporation (MassBusiness) with a maximum membership commitment of \$407,000. MassBusiness mission is to provide financing and investment for growing companies that, in turn, create jobs in Massachusetts. Recently, Mass Business has emerged as a strong resource for community-based, inner city project financing.

On September 26, 2001, the bank remitted its 1.87 percent pro rata share of \$93,420 on a \$5,000,000 loan pool funded through MassBusiness. On June 11, 2002, Northmark Bank remitted its 1.87 percent pro rata share of \$149,472 on a \$8,000,000 loan pool.

## **5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES**

Northmark Bank received no CRA related complaints in the period under review. The bank has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2.3-101.

The institution's loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act.

Northmark Bank is a "relationship" based institution, where customers are treated as clients to whom the bank seeks to provide an array of credit and banking products. Most often residential applicants are already customer/clients of the bank or are referred by a client or staff member. The bank's loan policy states that residential loans will follow secondary market guidelines regarding underwriting and documentation. As an approved Federal National Mortgage Association (FNMA) seller/servicer, the Bank sells all fixed rate loans with a maturity over 10 years. Secondary market guidelines allow for qualifying ratio of 28%/36% in the underwriting of conventional mortgage loans with Private Mortgage Insurance (PMI) required on all mortgage loans with loan to value (LTV) greater than 80 percent. The bank offers both variable rate and fixed rate mortgages with a maximum LTV of 90%.

Mortgage loan officers assigned to the bank's main office are trained in secondary market underwriting and FNMA's Direct Underwriter (DU) program. The bank's commercial lending officers also originate residential loan applications. Northmark Bank advertises routinely in several local newspapers including the Eagle Tribune, which serves the Greater Lawrence metropolitan area, including Southern New Hampshire and the Woburn Times, Winchester Star, and Daily Times serving the Woburn and Winchester communities.

Northmark Bank has an established second review procedure requiring all denials to be reviewed by the bank's president and all withdrawn applications to be reviewed by a second loan officer, prior to the applicant being sent a notice.

### **Minority Application Flow**

As of the 1990 census, Northmark Bank's assessment area contained 307,733 individuals, 44,846 or 14.6 percent of whom are minorities. The assessment area's minority population was 0.1 percent Native American, 1.7 percent Asian, 1.0 percent Black, 11.7 percent Hispanic and 0.1 percent Other.



For the period reviewed, the bank received a total of 10 HMDA reportable applications from various minority groups, representing 6.7 percent of all applications received from within its assessment area.

Refer to the following.

| MINORITY APPLICATION FLOW |            |              |           |              |            |              |
|---------------------------|------------|--------------|-----------|--------------|------------|--------------|
| RACE                      | 2001       |              | 2002*     |              | TOTAL      |              |
|                           | #          | %            | #         | %            | #          | %            |
| Native American           | 0          | 0.0          | 0         | 0.0          | 0          | 0.0          |
| Asian                     | 6          | 5.1          | 1         | 3.1          | 7          | 4.7          |
| Black                     | 0          | 0.0          | 0         | 0.0          | 0          | 0.0          |
| Hispanic                  | 1          | 0.8          | 0         | 0.0          | 1          | 0.7          |
| Joint Race                | 2          | 1.7          | 0         | 0.0          | 2          | 1.3          |
| Other                     | 0          | 0.0          | 0         | 0.0          | 0          | 0.0          |
| <b>Total Minority</b>     | <b>9</b>   | <b>7.6</b>   | <b>1</b>  | <b>3.1</b>   | <b>10</b>  | <b>6.7</b>   |
| White                     | 105        | 89.0         | 28        | 87.5         | 133        | 88.6         |
| NA                        | 4          | 3.4          | 3         | 9.4          | 7          | 4.7          |
| <b>Total</b>              | <b>118</b> | <b>100.0</b> | <b>32</b> | <b>100.0</b> | <b>150</b> | <b>100.0</b> |

\*Source: PCI Services, Inc., CRA Wiz Software

\*Through May 7, 2002. I

Although, the bank positively demonstrates a consistent minority application flow for 2001 through May 7<sup>th</sup> of 2002, the institution's performance is below that of the minority demographics within the assessment area.

Based upon the above, the bank's minority application flow appears to be low.

## **QUALIFIED INVESTMENTS AND SERVICES**

At management's request, Northmark Bank's investments and services were reviewed.

### **Investments**

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms and activities that revitalize or stabilize low and moderate-income geographies.

### **Charitable Contributions**

Northmark Bank has provided contributions to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development. For calendar year 2001, Northmark Bank provided \$29,345 in corporate contributions, \$12,310 or 42.0 percent of which was in support of programs that promote community development, as defined under the CRA regulation. From January through April 2002, the bank provided \$5,588 in corporate contributions and commitments, \$3,273 or 58.6 percent were considered qualified.

### **Retail Services**

Northmark Bank is a participating member of the Massachusetts Banking and Community Council's Basic Banking Program. As such it offers low-cost checking and savings accounts

The bank is also a member of the SUM network of banks whose members do not charge ATM surcharges.

### **Community Development Services**

The Community Reinvestment Act regulation defines a community development service as a service whose primary purpose is community development and is related to the provision of financial services. Northmark Bank's officers, staff and board members lend their expertise to several organizations that address community development needs. The following describes some of the bank's qualified community development services.

Northmark Bank's Chairman of the Board participates in a variety of local organizations, that provide youth services and an organization that serves as a conduit for providing grant monies to a variety of community groups throughout the bank's assessment area.

Northmark Bank's President and Chief Executive Officer is active in local organizations that provide youth services, after school programs, and education as well as organizations that promote and foster small business development, and organizations that oversee the healthcare industry as a whole.

The bank's Senior Lending Officer is involved in organizations that oversee social issues and organizations that provide services for inner-city youth as well as organizations that promote and foster small business development.

Northmark Bank's Loan Officer is active in local organizations that act as a conduit for small business alternative financing; provide inner city youth services; provide housing for low and moderate-income families; and an organization that serves as a source for providing grant monies to a variety of community groups throughout the bank's assessment area.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**NORTHMARK BANK**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JUNE 12, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

